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PROVISIONAL INTELLIGENCE REPORT

SOVIET FOREIGN TRADE THROUGH 1954



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CIA/RR PR-137

(ORR Project 42.538)

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SOVIET FOREIGN TRADE THROUGH 1954*

Summary and Conclusions

Soviet foreign trade in the post-World War II period has grown steadily, and in 1954 the USSR stood in sixth place among the leading trade nations of the world. The value of Soviet trade in 1954 was about \$6.8 billion in 1951 dollars,** a post-World War II peak. The trade of the USSR with the Free World, Communist China, and other Sino-Soviet Bloc countries increased in each instance over that of 1953.

Two outstanding developments accompanying this growth in post-war trade have been the expansion of trade between the USSR and other Sino-Soviet Bloc countries and the emergence of a new Soviet attitude toward trade with the Free World.

Available data indicate that in 1954 the USSR received from the most industrialized Satellites -- East Germany, Czechoslovakia, and Poland -- machinery, transport equipment, and raw materials and furnished, in turn, food, industrial raw materials, and industrial equipment. In 1954, most of the Soviet imports from the other European Satellites were food products and raw materials, although machinery and transport equipment constituted a considerable volume of goods received from Hungary and Rumania. Soviet exports to these Satellites were principally industrial and agricultural equipment and industrial raw materials.

In the immediate future, as in the past few years, Soviet trade with Communist China will consist largely of Chinese exports of agricultural products and nonferrous ores and concentrates in exchange for Soviet military and industrial supplies. The USSR has agreed to aid in developing 156 industrial projects over the period 1949-58. A minor portion of this economic assistance probably will be covered by credits already granted or by credits which may be granted in the future. Most of the Soviet exports to Communist China, however, are expected to be paid for by current shipments of Chinese goods.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 January 1956.

** All dollar values in this report are in US dollars.

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Trade between the USSR and the Free World increased during the last half of 1953 and in 1954. For the year 1954 the value of Soviet - Free World trade, in 1951 dollars, represented a 36-percent increase over the year 1953.

During the last half of 1953 and the first half of 1954 the increase was mainly the result of an expansion of Soviet imports consisting in large part of wool, meat, fish, and dairy products. Soviet exports, on the other hand, lagged far behind imports until the second half of 1954, when they increased rapidly. Although accompanied by a large decline in Soviet imports, the increase in exports was not sufficient to offset the Soviet trade deficit which amounted to about \$70 million for the year 1954.

This deficit was offset, however, by substantial Soviet exports of gold, which made the metal a major earner of foreign exchange for the USSR in 1954 as in 1953. Estimates of the total value of Soviet gold shipments to the Free World during the period 1953-54 exceed \$225 million. Because these sales exceeded the estimated total trade deficit of the USSR with Free World countries in 1953-54, it is probable that the USSR built up reserves of foreign exchange which could be used for financing other balance of payments items or, perhaps, for covert activities such as clandestine trade or Communist Party operations.

In 1954, Western Europe was by far the largest trade partner of the USSR in the Sino-Soviet Bloc, accounting for about 71 percent of Soviet imports from and about 83 percent of Soviet exports to the Free World. Finland and the UK, which accounted for the largest portion by value of Soviet trade with the Free World, also accounted for about two-thirds of Soviet trade with Western Europe. France, the Netherlands, Belgium-Luxembourg, Sweden, and Italy were next in order of value.

Soviet imports of consumer goods from the Free World continued to increase in 1954, particularly in the first half of the year. Food purchases, a major part of consumer goods procurement, have increased since 1950, although their effect on general domestic consumption has been marginal. Food procurement has provided the USSR not only with a bargaining point in trade negotiations but also with a "primer" in establishing trade ties with selected countries. It would seem, moreover, that in the event of a Soviet cutback in imports of consumer goods, imports of food products would be cut less drastically or only after other types of consumer goods.

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In line with the Soviet policy of courting strategic underdeveloped countries, the USSR in 1954 expanded trade and increased overtures to trade with these countries. The value of Soviet trade with underdeveloped countries rose to about \$235 million in 1954, almost a 90-percent increase over the 1953 value of \$125 million. Through this expansion, however, the USSR incurred a large trade deficit, with imports exceeding exports by about \$90 million.

Overtures of technical assistance to less industrialized Free World countries also were an outstanding feature of Soviet international relations in 1954. These overtures were in line with other tactics, such as actual trade expansion, used by the USSR in its policy of courting strategic underdeveloped countries. These offers of technical assistance, which continued in 1955, have been made by the USSR both bilaterally and through the UN. Soviet offers of assistance to India and Afghanistan have been on a bilateral basis, and in several other countries Soviet aid has been given formally through UN facilities.

Incomplete data indicate that the level of Soviet - Free World trade declined in the first half of 1955 although Soviet exports exceeded imports during the period. A continuation of this trend may not necessarily take place, however, because of the flexibility of Soviet trade tactics. Moreover, if the Soviet trade planners wish to increase trade with the Free World, such an increase would be subject to at least two important considerations -- Soviet willingness to offer a suitable line of exports and/or willingness to export gold. These considerations will have to be faced in the event the USSR wishes to reverse the downward trend in Soviet - Free World trade evidenced during the first half of 1955.

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I. Trade Pattern.

A. Free World.

1. Value.

The current dollar value* of Soviet trade with the Free World in 1954 was about \$1,078 million, or 34 percent larger than the 1953 value of \$805 million. Soviet imports rose from \$427 million to \$573 million and exports from \$378 million to \$505 million during the 1953-54 period. (See Appendix A, Table 1.**). Thus the USSR incurred a trade deficit with the Free World in 1954. Foreign exchange reserves, however, undoubtedly accumulated from the substantial Soviet sales of gold during 1953 and, to a lesser extent during 1954, could be drawn on by the USSR to offset this deficit.***

If Soviet exports are adjusted to an f.o.b. basis and imports to a c.i.f. basis, the value of Soviet trade with the Free World, in constant 1951 dollars, was about \$1,195 million in 1954. This amount represented an increase of about 36 percent over the 1953 comparable value of \$880 million. (See Appendix A, Table 2.****)

The value of Soviet - Free World trade in 1954 represented 17 percent of total Soviet trade compared with 14 percent in 1953. (See Appendix A, Table 3.*****). During the first half of 1954, Soviet imports greatly exceeded Soviet exports. During the second half of the year, however, the trend was reversed. Incomplete data for the first half of 1955 indicate that Soviet - Free World trade ran in favor of the USSR but below the level of 1954.

2. Direction.

The geographic distribution of Soviet - Free World trade by imports and exports for 1948-54 is shown in Appendix A, Tables 4 and 5.† From 1948 through 1953, Western Europe increased its exports to the

* Unadjusted for freight and insurance costs.

** P. 27, below.

*** See A, 4, concerning Soviet gold shipments.

**** P. 31, below.

***** P. 32, below.

† Pp. 33 and 34, respectively, below.

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USSR, accounting for about 59 percent of Soviet imports in 1948 and almost 79 percent in 1953. This increase was accompanied by a relative decrease in the share of yearly Soviet imports from the Far East and the Near East and Africa. Soviet imports from North America decreased over the period, and those from Oceania and Latin America reached about the same level in 1953 as in 1948.

When Soviet imports in 1954 are compared with those of 1953, it can be seen that although the goods supplied by Western Europe increased in absolute value, the relative share of the area in total Soviet imports from the Free World decreased to about 71 percent in 1954 from about 79 percent in 1953. This relative decline was the result of both absolute and relative increases in Soviet imports from Latin America -- particularly from Argentina and Uruguay -- and from the Near East and Africa. The increasing importance of Oceania in Soviet - Free World trade during the first half of 1954, resulting in major part from large shipments of Australian wool, diminished in the latter half of the year.

The Western European share of Soviet exports to the Free World increased from about 69 percent in 1948 to almost 88 percent in 1953. This increase resulted from a relative decline in exports to the Western Hemisphere. Exports to the Near East and Africa remained fairly constant over the period, whereas those to the Far East decreased. Exports to Oceania remained low, and those to Latin America were virtually nonexistent.

Western Europe continued as the predominant market area for Soviet exports to the Free World in 1954, importing 83 percent of Soviet exports. Absolute increases in Soviet shipments to Latin America and the Far East also occurred during 1954. Soviet exports to Latin America increased over 1953 but failed to keep pace with Soviet imports from the area. Large Soviet trade deficits with Oceania, the Near East and Africa, and Latin America account for much of the over-all trade deficit incurred by the USSR in 1954 trade with the Free World.

3. Composition.

a. Imports.

In terms of constant 1951 dollars, the general commodity composition of Soviet imports from the Free World indicates that for the period 1948-53 the yearly percentage shares of foodstuffs

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and manufactured goods increased, whereas the share of crude materials decreased. (See Appendix A, Table 6.*) In terms of absolute value, a continuous increase from \$15 million in 1950 to \$82 million in 1953 was evidenced in Soviet food procurement. Reflection of the "new course" in 1953 foreign trade, therefore, took the form of an intensification of an existing trend in food acquisition rather than of a radical shift in pattern.

Although imports of textile fibers in 1953 increased over 1952 because of large purchases of wool, the increase was not sufficient to affect the over-all decrease in the crude material category caused mainly by the large decline in imports of rubber. Imports of rubber declined from more than \$100 million (current value) in 1952 to less than \$20 million (current value) in 1953.

Although the import of manufactured goods decreased in absolute value terms in 1953 compared with 1952, the relative share of manufactured goods increased, indicating that the USSR is still interested in this category. Moreover, 1953 was a year of "negotiations," and many of the orders and contracts for capital goods (machinery and transport equipment) were not implemented for some time.

In the category of machinery, Soviet interest has centered primarily around mining, construction, and industrial machinery and around power-generating and electrical machinery and apparatus. Bearings and nonferrous metals also have been high on Soviet procurement lists as has been transport equipment, particularly ships and boats.

When all Soviet imports from the Free World in 1954 are separated into three general categories -- food, crude materials, and manufactured goods -- increases over 1953 are registered in all instances, most strikingly in food, which increased from \$82 million to \$140 million. Of the total Soviet imports from the Free World in 1954, food represented 22 percent; crude materials, 33 percent; and manufactured goods, 45 percent compared with 17 percent, 39 percent, and 44 percent, respectively, in 1953.

In 1954 as in 1953, Soviet imports of Free World food consisted mainly of meat, fish, and butter. Imports of meat at 85,000 metric tons** represented a 400-percent increase over 1953; imports

* P. 35, below.

** Tonnages are given in metric tons throughout this report.

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of fish at 145,000 tons, a 53-percent increase, whereas imports of butter at 37,000 tons represented a 14-percent decrease.

Compared with estimated domestic production of these commodities, the indicated amounts imported, except for butter, appear to be extremely marginal (less than 1 percent). Although the imports of butter might have been as much as 10 percent of domestic production, it is believed that most of the butter was re-exported to East Germany.

The import of these goods by the USSR in 1954 was in line with the then current "peace offensive," and although political advantages were undoubtedly anticipated by the USSR, at the same time it is likely that the operation incurred no economic disadvantages.

Soviet interest in Free World capital goods remained high in 1954, and Soviet orders and inquiries, especially with British firms in early 1954, dealt largely in commodities then on COCOM control lists. For instance, in February 1954 the USSR negotiated with UK machine tool manufacturers for the procurement of precise and heavy machine tools which they had been importing from Switzerland and East Germany. Although jig borers, which are of the precise type, remain on the control list, some of the heavy types were removed from the list in August and probably became available by late 1955.

On 16 August 1954, trade restrictions on various items on COCOM control lists were relaxed. Although it is still too early to see the over-all effect on trade of these relaxations, the reaction of the USSR is pointed up by its interest in at least one of the decontrolled items -- uncovered copper wire. During the 2 months following 16 August the Soviet average monthly imports of uncovered copper wire increased more than four times the average for the 7 months immediately preceding the decontrol date. 1/*

Soviet emphasis on ship procurement is pointed up by the fact that it is estimated that in 1954 the value of Soviet ship imports in terms of constant 1951 dollars was \$60 million, or double the 1953 value of \$30 million. 2/

b. Exports.

Based on constant 1951 dollars the yearly percentage share of Soviet exports of food, primarily of grain, to the Free World

* For serially numbered source references, see Appendix D.

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increased from 45 percent of total exports in 1948 to 60 percent in 1952. (See Appendix A, Table 7.*) Exports of crude material, composed largely of fur, lumber, and coal, rose from 37 percent of the total in 1948 to 47 percent in 1950, then declined to 32 percent in 1952. Manufactured goods, largely wood, textiles, and iron and steel, in later years decreased from 18 percent to less than 10 percent during the same period. In 1953 a noticeable shift took place in that the share of food exports dropped to represent only 35 percent, whereas relative increases to 52 percent and 13 percent were registered for crude materials and manufactured goods, respectively.

Available commodity data indicate that the shift in composition of Soviet exports evidenced in 1953 was intensified in 1954. Grain is an important key to the future composition of Soviet exports. Because domestic requirements for grain, both food and feed, are increasing rapidly, it is doubtful whether exports of grain to the Free World will continue at levels as high as in the past. Moreover, the role of the USSR as a major grain supplier of the European Satellites undoubtedly will continue because these Satellites now appear as net importers of grain.

Because the USSR does not have large amounts of grain available for export and because it wants to expand imports, the USSR has attempted to maintain high export levels for timber, furs, and coal; has intensified exports of less traditional items such as petroleum, petroleum products, and automobiles; and has laid the groundwork for possible exports of other types of manufactures, including general-purpose machinery. For instance, official statistics indicate that the value of Soviet sales of petroleum and petroleum products to the Free World in 1954 was about \$56 million compared with about \$16 million in 1953. ^{3/} Moreover, early in 1954 the USSR surpassed Rumania as the principal Soviet Bloc supplier of petroleum products to the Free World.

4. Gold Sales.

Gold affords the USSR an important potential source of foreign exchange. In 1953, especially in the last quarter, large Soviet gold shipments to the Free World countries were evidenced.

* P. 36, below.

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Because the USSR incurred a trade deficit with the Free World in 1953 (\$49 million*) and an even larger deficit in 1954 (\$70 million*), it is probable that Soviet gold sales and foreign trade imbalances are related.

During 1953 and 1954, annual Soviet sales of gold to the Free World are estimated to have been about \$150 million and \$85 million, respectively. These sales were concentrated mainly in the last half of 1953 and in the first half of 1954. In 1954, Soviet sales were made on both the London and Paris gold markets until April and continued on the Paris market through June, but no other sales were noted during the remainder of the year. During the first half of 1955 the total value of Soviet gold sales is estimated to have amounted to about \$62 million. 4/

In addition to the above-mentioned Soviet gold shipments, negotiations involving gold among the USSR, Finland, and Iran have also been evidenced since 1953. In February 1954 the USSR agreed to pay a portion of the outstanding Finnish-Soviet trade balance in gold and hard currencies. In June, deliveries of gold amounting to about \$5 million were made under this agreement. 5/ Also in February 1954 an accord was reached providing for a Soviet loan of 40 million rubles to Finland, payable in gold or hard currencies. 6/ A similar loan, for the same amount, was concluded between the USSR and Finland, in January 1955. 7/ Moreover, indications in 1955 are that these loans are being utilized.

On 1 July 1954 the USSR agreed to pay to Iran 11 tons of gold, valued at about \$12 million, in partial settlement of claims arising from wartime occupation of the country by the Soviet Army. 8/ Delivery of the gold was actually made in June 1955.

B. European Satellites.

1. Reparations.

In addition to goods exchanged commercially, the USSR was scheduled to receive in the post-World War II period a large volume of goods from the European Satellites in the form of reparations.

* These are rough approximations based on figures reported by Free World countries and are unadjusted, from the Soviet point of view, for insurance and freight charges.

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Under the terms of agreements signed following the termination of hostilities in Europe, the USSR was to receive as reparations from Hungary, Rumania, and East Germany a total of \$10,500 million worth of commodities valued at 1938 prices. This total subsequently was officially reduced to about \$4,558 million.

The terms of the armistice agreement signed between the major Allied powers and Hungary on 20 January 1945 provided for the payment of \$200 million in reparations to the USSR. Payment in commodities, valued at 1938 prices, was to be made over a period of 6 years. The payment period was later increased to 8 years. Soviet concessions in 1947-48 reduced the total amount demanded to roughly \$120 million in reparations dollars. On 20 January 1953 the Hungarian government announced that its reparations obligations to the USSR had been fulfilled. 9/

The terms for reparations payments by Rumania to the USSR were set forth in the armistice agreement of 12 September 1944. These terms were similar to those imposed upon Hungary -- \$300 million worth of reparations, in commodities valued at 1938 prices, repayable over a period of 6 years. The repayment period was later extended to 8 years. Under concessions granted in 1947-48 the value of total reparations demanded was reduced to \$146 million. Rumanian reparations have largely been in the form of petroleum oil and products. Under the original agreement, Rumania was to supply 1.7 million tons of petroleum products annually at about \$15 per ton, approximately half the current world price. Rumanian reparations were to have been concluded by 12 September 1952, but no announcement of their termination has been forthcoming. Earlier reports had indicated that Rumanian payments were running behind schedule. 10/

The East German reparations agreement with the USSR called for the payment of \$10 billion worth of commodities, valued at 1938 prices. In 1950 it was announced that reparations demands had been reduced to \$6,829 million. A protocol signed on 23 August 1953 stipulated that reparations payments would be terminated on 1 January 1954, at which time an unpaid balance of \$2,537 million was to be canceled. Thus, by its own calculations, the USSR was to have received \$4,292 million worth of reparations from East Germany by the date of termination. All West German authorities, however, agree that this is a considerable understatement of Soviet takings from East Germany, even with the exclusion of occupation costs. 11/

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2. Value.

Because direct data for the value of Soviet - European Satellite trade are lacking, an estimate of such trade has been derived by subtracting from total Soviet trade that portion accounted for by the Free World and Communist China. Based on this method, an estimate of 1954 Soviet trade with the European Satellites would be about \$3,659 million 1951 dollars. (See Appendix A, Table 2.*) This would represent about a 10-percent increase over the 1953 trade level, and the share of the European Satellites in the total trade of the USSR would be about 53 percent. (See Appendix A, Table 3.**)

3. Direction.

Data on the actual 1954 distribution of trade between the USSR and its European Satellites are scarce. Extrapolation of the estimated share of each of the Satellites in total Soviet - European Satellite trade for 1952 would indicate, however, that Soviet trade with East Germany, Czechoslovakia, and Poland represented about 70 percent of such trade, while Rumania, Hungary, and to a lesser extent Bulgaria, accounted for the remainder. Trade with Albania continued to be of minor importance.

4. Composition.

Available information on trade agreements indicates that in 1954 the USSR planned to exchange with its European Satellites about the same type of commodities which have marked the commodity pattern throughout the postwar period. From the more industrialized Satellites -- East Germany, Czechoslovakia, and Poland -- the USSR has imported primarily machinery, transport equipment, and raw materials. To these Satellites the USSR has exported food, industrial raw materials, and industrial equipment. The use by the USSR of these Satellites as suppliers of industrial equipment originally imported by the USSR from the Free World has both necessitated industrial conversion in these Satellites to meet Soviet requirements and reoriented traditional Satellite trade lines from the Free World to the USSR. Moreover, the nature of Soviet exports to these Satellites, especially of "selected" industrial equipment, helps pattern economic development in these countries along Soviet lines.

* P. 31, below.

** P. 32, below.

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From the other Satellites -- Hungary, Rumania, Bulgaria, and Albania -- Soviet imports have consisted largely of food products; raw materials; and, in the cases of Hungary and Rumania, some transport equipment. Soviet exports have included large portions of industrial equipment, agricultural equipment, and industrial raw materials. In these countries the USSR has become the chief industrial supplier, replacing traditional Free World sources and, through the type of commodities exported, patterning industrial development in these lesser Satellites along Soviet designs.

C. Communist China.

The Chinese Communists announced the total amount of their foreign trade in 1954, from which it has been estimated that Sino-Soviet trade in that year was approximately \$1,835 million. There are, however, indications that nearly \$600 million of this trade turnover represented a military loan and capital transfers from the USSR to Communist China. Barter trade between the two countries, therefore, is estimated to have been \$1,250 million, in approximate balance at \$625 million in each direction. 12/

The total turnover of Sino-Soviet trade in 1953 is estimated to have been approximately \$1,855 million, which may have included the loan or grant to Communist China of a relatively large amount of military equipment. It is believed that barter trade between Communist China and the USSR in 1953 was of nearly the same order of magnitude as in 1954. 13/

During the past years, Communist China has imported from the USSR large quantities of equipment for the metallurgical and machine tool industries, chemical and power generating equipment, machinery, trucks, steel products, metals, petroleum products, and chemical products. Exports to the USSR from Communist China have been largely foodstuffs and agricultural raw materials. Significant quantities of China's mineral output, especially nonferrous metals and ores, have been shipped to the USSR.

The trade of Communist China is largely determined by the needs of its industrialization program, which is dependent on imports of machinery, industrial raw materials, and capital goods. The major source of these industrial imports is the USSR. Soviet economic and technical aid, in conjunction with Soviet exports to Communist China, will continue to be of major importance to the economic growth of Communist China.

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II. Soviet Foreign Aid and Investments.

A. Free World.

In 1954 the USSR pursued a policy of offering limited technical assistance to various underdeveloped nations of the Free World. These offers of aid included the preliminary research and planning necessary to erect various industrial installations, actual offers to build or participate in the construction of industrial installations, offers of credit for technical improvements, and offers to send Soviet specialists to assist in proposed technical aid programs. Soviet offers of economic aid were extended to certain Asian and Near East countries that appeared to be likely prospects for eventual political penetration. Under the label of technical aid, the USSR is able to place Soviet personnel in certain underdeveloped areas where limited Soviet economic expenditures might pave the way for substantial political and economic penetration. At the same time, propaganda benefits have accrued which enhance the prestige of the USSR both at home and abroad.

1. United Nations.

In July 1953 the USSR made an initial offer of technical aid amounting to 4 million rubles to the UN Economic and Social Council (ECOSOC) at Geneva. At the time, this offer was so qualified by various Soviet restrictions on the use of the funds that it was impossible for the UN to accept the grant. 14/ Thereafter, in March 1954 the USSR agreed that its contributions could be used in conformity with the UN's technical assistance program, 15/ although the rubles could be spent only in the USSR. The USSR again broached the subject of technical aid at the tenth meeting of the UN Economic Commission for Asia and the Far East (ECAFE) at Ceylon during February 1954. At this meeting the representatives of the USSR issued invitations to 12 Asian countries* to send their representatives to study Soviet industry and agriculture and to discuss the possibilities of increasing trade. 16/ Subsequently, about half of these countries did send economic delegations to the USSR in 1954. 17/

2. Afghanistan.

Afghanistan has received a series of offers from the USSR to provide technical aid as well as to extend credits to implement these

* India, Pakistan, Afghanistan, Nepal, Burma, Malaya, Thailand, Ceylon, British Borneo, Indonesia, Japan, and the Philippines.

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offers. During 1954, Afghanistan accepted the following Soviet offers, implementation of which has already been indicated.

a. A grant of \$3.5 million in connection with the construction of two grain elevators, a flour mill, and a baking factory. The expenses of research and design for these projects, as well as the expenses of the Soviet technicians assigned to these projects, will also be paid from the credit. The Afghans do not have to begin repayment of the credit until 1957, at which time Afghanistan will pay with cotton, wool, and oilseeds. 18/

b. A credit of \$600,000 for the construction of an installation for storing one-half million gallons of gasoline at Kabul. This credit from the USSR is to be repaid later in US dollars or Afghan products. 19/

c. A credit of \$2.1 million for the purpose of purchasing road-building equipment and a road-testing laboratory for paving the streets of Kabul. 20/

In addition to the implemented offers mentioned above, the Government of Afghanistan has received additional offers of Soviet aid. Action is pending, for example, on a Soviet offer of 10 August 1955 to provide a medical mission which would organize and staff a health program in Afghanistan. It was also reported that the USSR had offered \$60,000 worth of equipment for the Kabul Medical School, although information regarding the terms is presently unavailable. 21/

At the same time, Soviet technicians have continued to assist Afghanistan in surveying and developing plans for the exploitation of natural resources. It was reported a short time ago that two Soviet technicians were actively cooperating with Afghan personnel in a geological survey designed to exploit Afghanistan's sulfur deposits. 22/ In this connection, it was also reported that the USSR had proposed the erection of a beneficiation plant for the production of high-grade sulfur and were showing interest in the development of Afghan coal deposits at Dara Serf, which would insure adequate fuel supply for the proposed sulfur plant. 23/

3. India.

The USSR indicated willingness to furnish technical assistance to India during negotiations leading to the signing of a 5-year trade pact which took place on 2 December 1953. 24/ Izvestiya stated

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that these negotiations provided that Soviet technicians would assist India in the installation and operation of industrial equipment and that Soviet specialists would also assist in the planning and design of various industry projects. 25/ These negotiations were not the first indication that the USSR was ready to provide India with technical aid. A Soviet advertisement appeared on the back cover of the 1 July 1953 issue of the Hindu edition of Soviet Land, which stated that arrangements could be made for technical assistance as well as for the procurement of industrial equipment. 26/

Since the initiation of the trade agreement in 1953, the Kremlin has offered to construct for the Indians a steel mill and an aircraft factory, to assist in the exploitation of India's diamond deposits, and to exchange technicians.

The Soviet offer in 1954 to build a steel plant for India resulted in an agreement signed in February 1955. This agreement, subject to stipulations necessitating mutual agreement later in the year, provides that India will buy about \$92.4 million worth of Soviet equipment for plant construction. Payment at $2\frac{1}{2}$ -percent interest will be made in 12 annual installments. The plant, which is to be completed by 31 December 1959, will have an initial capacity of 1 million tons of ingot steel or 750,000 tons of rolled products. 27/

In 1954 a private group, the Panna Diamond Syndicate, negotiated with the USSR for mining machinery, and Soviet technicians completed a survey for this syndicate to determine possibilities for production at the Vindhya Pradesh mines in central India. 28/ In June 1955 an agreement was concluded by which the USSR would supply technical assistance, including equipment, for this project.

In 1954 the groundwork was laid for the exchange of technicians as well as for the training of Indian technicians in the USSR. 29/

4. Indonesia.

The USSR extended an offer of technical aid to Indonesia in 1954. This offer, which was confirmed by the chief of the industrial department of the Indonesia Economic Affairs Ministry, is to assist in the industrialization of the country and to provide for the construction of various types of factories. Soviet specialists would train Indonesians in the operation of new equipment. The USSR also was prepared to grant long-term credit, at 2-percent interest, to aid in the industrialization of the country. 30/

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B. European Satellites.

No categorical statement on the significance of Soviet aid to the European Satellite countries can be made which will apply equally to each of these countries. Soviet influence on the economies of Soviet Bloc countries has ranged from the considerable material and technical assistance provided for the reconstruction and development of Poland to outright exploitation in the case of East Austria.

In all of the European Bloc countries the USSR used the terms of the Potsdam Agreement as authorization for the seizure of former German assets. The Soviet interpretation of what constituted such properties, however, was a free and unilateral definition. As a result, the USSR took title to a number of valuable properties, ostensibly by legal procedures, but often by means which approached outright confiscation.

In several of the Satellites the USSR used these former German assets as its contribution to joint stock companies from which it was guaranteed an annual profit. The majority of these companies were formed during 1945-49. During 1954 the USSR implemented a policy of returning its holdings of former "German assets" to the countries in which they are situated. Properties were returned to East Germany, Rumania, Bulgaria, and Hungary. With the exception of East Germany, however, these holdings were not returned without charge. Rumania, Bulgaria, and Hungary are to pay the USSR for its share of the joint companies returned over a period of years. In all countries the USSR has retained ownership in companies engaged in highly strategic endeavors, the Soviet-Rumanian Oil Company and the uranium-mining companies in East Germany, Bulgaria, and Rumania being the principal examples.

In the field of pure technical aid the USSR has provided to the Satellites free of charge blueprints, data on technological advances, and patents and licenses. Training of foreign technicians in the USSR and services of Soviet experts to Soviet Bloc countries, however, are apparently paid for by the individual countries.

Between 1946 and 1954, the USSR extended approximately \$1,265 million worth of credit to the European Satellites. (See Appendix A, Table 8.*) The major portion of this credit was for capital equipment

* P. 37, below.

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for basic industries, although there are instances of emergency loans of grain and of currencies for the financing of certain imports from countries other than the USSR. The credit agreements usually provided for repayment over several years time by means of commodity shipments. Interest rates are low, usually 2 or 3 percent.

1. Albania.

The USSR extended an unknown amount of credit to Albania in February 1951. (See Appendix A, Table 8.)* A number of Albanian plants have been receiving capital equipment under this agreement, which extends credit into 1955.

There are, however, no Soviet joint-stock companies in Albania, although there are a number of Albanian plants which are known to have received capital equipment from the USSR and/or technical guidance from Soviet experts.

2. Austria.

From the end of World War II until 1955, a small but significant share of the Austrian economy in the Soviet Zone was under the control of the USSR. The Soviet-controlled properties were the result of a free, unilateral interpretation by the USSR of the provision of the Potsdam Agreement concerning the disposition of German assets in foreign countries.

The Administration of Soviet Property in Austria (USIA) owned more than 240 industrial and commercial enterprises in Austria as well as a chain of nearly 250 retail stores developed since 1948. The net annual profit accruing to the USSR from the operation of the USIA enterprises is estimated to have been about \$30 million. 31/

During the same periods the USSR controlled the Austrian oil properties within the Soviet Zone through the Soviet Mineral Oil Administration (SMV). Assuming that about half the shipments of SMV oil and oil products going to Soviet Bloc countries were fully paid for, the net profit from the operation of these properties was about \$30 million per year. 32/

* P. 37, below.

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As a result of negotiations which resulted in the signing of the Austrian state treaty on 15 May 1955, Austria regained its economic resources. These included not only the enterprises controlled by USIA and SMV but also the Danube Shipping Company in East Austria, which had been in Soviet hands. Negotiations between the USSR and Austria concerning the terms of payment due the USSR for the return of these Austrian resources were reached on 12 July 1955. 33/ Under the terms of the agreements, Austria has agreed to pay \$150 million worth of goods to the USSR over a 6-year period, or \$25 million per year. For Soviet release of control over the Austrian oil fields, the Austrians will deliver 1 million tons of oil annually for a period of 10 years. Also, the USSR agreed to transfer all property of the Danube Shipping Company in East Austria to Austrian control upon payment of \$2 million in US currency. 34/

The turnover of USIA and other Soviet properties to the Austrians has been reported to have been completed on 13 August 1955. 35/

In addition to the return of Austrian properties, another agreement was reached as a result of the Austrian-Soviet economic negotiations. Basic drafts of a trade agreement calling for \$25 million worth of trade each way between Austria and the USSR have been initialed, but actual signing of the agreement was to await negotiations pending in September 1955. 36/

Under the terms of the initialed agreement, the USSR will export wheat, rye, corn, barley, cotton, asbestos, sulfur, tin, ferroalloys, and oilfield pipe and equipment. Austria will export water-driven turbines; generators; hydroelectric installations; metalworking machines; forges and presses; telephone cable; rolled steel wire; and gasoline, kerosine, and diesel oil. 37/

3. Bulgaria.

The Soviet loan to Bulgaria of \$5 million in 1947 appears to have been the only one granted by the USSR. This loan was to be repaid over a period of 5 years by shipments of tobacco and other goods from Bulgaria. (See Appendix A, Table 8.*)

* P. 37, below.

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On 9 October 1954 an agreement was signed providing for the return to Bulgaria of the following joint Soviet-Bulgarian companies: for shipbuilding, Korbso; for construction and production of building materials, Sovbolstroy; and for civil aviation, Tabso. Bulgaria is to pay for the Soviet share of these plants over a period of years. No mention was made of any proposed transfer of the Soviet-Bulgarian uranium-mining company. 38/

4. Czechoslovakia.

If validity is granted to the report of a Soviet loan to Czechoslovakia amounting to \$200 million (see Appendix A, Table 8*) for the financing of imports from Western countries, then Czechoslovakia has received credits exceeding \$220 million from the USSR. It appears, however, that only \$23 million of these credits have been extended for the financing of imports from the USSR. Because of high industrial development, Czechoslovakia has not needed and apparently has received relatively little capital equipment and technical aid from the USSR.

A metallurgical plant and a foundry combine at Kunice are known to have been supplied with modern Soviet equipment under the guidance of Soviet experts, and the Czechoslovak coal mining industry has received Soviet equipment and technical guidance. 39/ Except for some strategic uranium mines, it is not believed that the USSR held any other property in Czechoslovakia in 1954.

5. East Germany.

Between May 1950 and December 1953, East Germany received slightly more than \$344 million of credit from the USSR. (See Appendix A, Table 8.*) Over \$179 million of this credit was granted in July and September of 1953, largely to finance the import of food and raw materials from the USSR. A loan of approximately \$180 million in any type of currency desired was reported in 1954. It is believed that this loan would be used primarily to purchase consumer goods. As in the case of Czechoslovakia the level of the industrial development of East Germany is high relative to that of the USSR. Raw materials rather than capital equipment have comprised the major portion of commodities received from the USSR on credit.

* P. 37, below.

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Two-way exchanges of technical data have been carried out in the past and are to be continued. In 1954-55 the USSR is to supply East Germany with technical blueprints for some metallurgical equipment and for some types of agricultural machines, as well as technical data on metallurgical processes for production in the machine-building, chemical, and other branches of industry. 40/

Soviet investment in East Germany has amounted to a negative sum. In December 1945 the USSR ordered that about 200 of the largest and most important factories be transferred to Soviet ownership. Subsequently, these plants (known as SAG's*) paid the USSR a yearly rental on property and installations as well as their profits, if any. Seventy-four plants were returned to East Germany in 1947, 23 were returned in 1950, and 66 were returned in April 1952. All but one of the Soviet enterprises were returned to East German ownership in January 1954. The one exception is Wismut AG, the uranium-mining company which was to become a joint Soviet - East German corporation. 41/

In 1946, Soviet properties accounted for about one-third of total East German industrial employment and output. This proportion was retained until April 1952, when it dropped to 20 percent. Under economic concessions granted in August 1953, the USSR canceled East German reparations payments at the end of 1953.

The USSR has apparently received compensation payments from East Germany for what may be estimated as two-thirds of the value of Soviet enterprises turned over to East Germany before August 1953. The remaining payments for these enterprises were officially canceled at this time, and no compensation was required for the latest transfers. 42/

6. Hungary.

The long-term Soviet-Hungarian trade agreement for 1952-55 specified that the USSR was to deliver equipment and complete enterprises to Hungary. No details are known as to the value and extent of this agreement, but presumably the equipment was provided on long-term credit provisions. There are recent reports of a new \$27 million Soviet loan to Hungary in the form of precious metals and consumer goods. A loan in the form of precious metals could indicate an intent to finance purchases from Free World countries. (See Appendix A, Table 8.**)

* Sowjetische, or Staatliche, Aktiengesellschaften -- Soviet, or state, corporations.

** P. 37, below.

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The USSR has been active in supplying technical personnel and documents to Hungarian enterprises. The 1954 agreement on scientific and technical collaboration provided that the USSR would invite Hungarian technicians to study in the USSR as well as send Soviet advisers to Hungary. Both countries are to exchange documents on investment in industrial centers, on technological advances in industrial production, and on health facilities. 43/

The major projects in Hungary receiving aid from the USSR are the aluminum plant at Inota and the metallurgical combine at Stalinvaros. The addition of the Inota plant has virtually doubled Hungary's output of aluminum. Operations at the new facilities in Stalinvaros are reported to have increased the country's output of pig iron by 30 percent. 44/

Among the firms whose Soviet shares were sold is the Masobal Company which was reported to have control over 90 percent of Hungary's bauxite and aluminum production. Other joint companies involved in the exchange controlled the Hungarian oil, navigation, and aviation industries. 45/

In addition to the 5 joint companies, the USSR is reported to have acquired control of about 200 Hungarian companies through seizure of German assets. In September 1952 an agreement was reached whereby 69 of these enterprises were sold to Hungary. 46/ The present status of the remainder, if any, is not known.

7. Poland.

Poland has been the recipient of \$614 million worth of credit from the USSR, an amount equal to more than half the total of credit extended to the European Satellites. The major credit agreement between the USSR and Poland provides for \$450 million worth of credit between 1948 and 1956. Another major agreement was for \$100 million in credit between 1951 and 1958. (See Appendix A, Table 8.*) No credit agreements are known to have been signed since June 1950.

* P. 37, below.

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In addition to equipment supplied on credit, the USSR has assisted Poland by providing plans, patents, and information on technological advances free of charge. Between 1951 and 1953, about 300 Polish specialists received training in the USSR. ^{47/} These were in addition to those who were given special training in the operation of complete industrial units being provided by the USSR.

During the past few years the USSR has provided equipment for more than 40 Polish factories, plants, mines, and electro-stations. ^{48/} Perhaps the outstanding Soviet-aid project in Poland is the Lenin Metallurgical Plant near Kracow, the major investment of the Polish Six Year Plan (1950-55). Eighty-five percent of the machines and installations for this plant, which is estimated to cost over \$200 million ^{49/} and is to have a productive capacity of 2 million tons of steel per year, was to be supplied by the USSR under the terms of the agreement of January 1948. ^{50/}

8. Rumania.

Credits to Rumania from the USSR appear to have been small and infrequent. Apparently, only the \$10 million loan of 1947 made any allowance for capital goods, since the credit of 1946 consisted entirely of some \$22.5 million worth of wheat. (See Appendix A, Table 8.*)

The major Soviet economic influence in Rumania has been the joint stock companies known as Sov-Roms. These Sov-Roms, which dominated large segments of the Rumanian economy, were nominally owned on a 50-50 basis by the USSR and Rumania. Actually, however, the Soviet contributions did not measure up to those of Rumania, having been composed of assets acquired on the basis of a very loosely defined German control. The USSR was guaranteed a certain level of profits from these

* P. 37, below.

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joint companies. The "investment" of the USSR in these companies was accomplished largely by reinvestment of the "profits" accruing in its favor. 51/

In 1954, nearly all of the Sov-Roms were returned to Rumania. Rumania must pay for the Soviet shares of these companies over a period of several years. The USSR retained control of Sov-Rompetrol, which controls Rumanian oil production, and the Soviet-Rumanian Quartzite Company, which mines uranium ores. 52/ Sov-Rompetrol is the most valuable industrial asset in Rumania.

C. Asiatic Satellites.

1. Communist China.

Not long after the Chinese Communist formally established a government at Peking the USSR agreed to give economic and technical assistance for the reconstruction and development of the Chinese economy. Two major agreements have been signed since the first agreement was concluded on 14 February 1950, indicating intent by the USSR to assist in the reconstruction and development of certain industrial enterprises. Through 1954, most of the Soviet participation was concentrated in industrial development of the heavy industries of Northeast China.

Under the agreement of 14 February 1950 the USSR agreed to supply Communist China with equipment and other materials for restored and newly built industrial enterprises 53/ (see Table 8*) and on 26 March 1953 agreed to assist in the expansion and construction of electric power stations. 54/ In May 1953 an agreement was signed providing economic and technical assistance to China for the construction and renovation of 91 additional enterprises and for the 50 enterprises then being built or renovated, a program that was started in 1950 and is scheduled for completion by 1959. 55/ On 11 October 1954 a protocol was announced on the granting of assistance by the USSR for building an additional 15 industrial enterprises and on increasing, by an amount valued at more than 400 million rubles, the supply of equipment for the 141 enterprises covered in the previously signed agreement. 56/

* P. 37, below.

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Soviet assistance to these 156 projects is "from beginning to end" -- from the selection of factory sites, the collection of data for planning purposes, and the actual planning to the supply of equipment, the direction of construction, the installation of machinery, and the actual turning out of new products. All of these projects are scheduled to be completed by the end of 1959. ^{57/} Chou En-lai in his speech before the National People's Congress on 23 September 1954 stated that 17 of the projects "... have been wholly or partially completed and in operation, including the heavy rolling mill, seamless steel tubing mill, and steel sheet mill of the Anshan Iron and Steel Company as well as the Haichow Opencut Coal Mine at Fuhsin. There are 34 [projects] under construction, while blueprints are being drawn up for the rest, with construction to start soon." ^{58/} The Chinese Communists would never have been able to make substantial progress in their industrialization program without the substantial support and commitments from the USSR involving technical and material aid. ^{59/}

Soviet influence and assistance have extended beyond the supplying of equipment for the 156 industrial projects. Soviet technical personnel of various types, patents, and managerial and specialized industrial techniques and processes have been valuable to Chinese Communist economic development. ^{60/} Soviet specialists have done extensive on-the-job training of Chinese personnel, and many Chinese workers and students have been sent to the USSR for technical training. Under an agreement announced on 11 October 1954 the USSR and China agreed to provide each other with technical data and to send specialists to give technical assistance and to acquaint each other with their achievement in the fields of science and technology. ^{61/} This agreement appears to be either a continuation or a formalization of what has taken place in the past few years between the two countries.

Four joint companies, in the fields of petroleum, nonferrous metals, aviation, and shipbuilding were established by agreement in 1950 and 1951. On 11 October 1954 the Chinese Communist and the USSR announced that an agreement had been signed providing for the transfer of the Soviet share in the operation of the four joint companies to China, starting from 1 January 1955. Payment for the Soviet share will be made by Chinese exports to the USSR over the course of several years. ^{62/}

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Much of the Soviet equipment and technical assistance furnished to Communist China has been paid for by Chinese exports to the USSR. This probably will be true in the future. Two long-term credits, however, are known to have been extended by the USSR to China for its industrial development. The agreement of 14 February 1950 extended a credit of \$300 million to be used in equal amounts over a period of 5 years beginning 1 January 1950. ^{63/} On 11 October 1954 a credit of 520 million rubles (\$130 million) was extended, but no time period for utilization was indicated in the reports released. ^{64/}

The 1950 credit was scheduled to be exhausted by the end of 1954. It is probable that, in the future, additional credits will be sought by the Chinese Communists, but because of the moderate size of past credits, these will be limited to periods when Chinese exports do not yield sufficient foreign exchange to pay for the imports desired.

Although credits and outright gifts have probably been given to China by the USSR for military equipment and supplies, no other agreements on credit extension relating to Chinese Communist economic development have been reported. Certain minor gifts of equipment for Chinese state grain farms have been noted. In the aggregate, these gifts have been small.

2. North Korea.

Since 1949, aid from the USSR in the form of technical help, loans, and relief has been increasing and has largely taken the place of normal trade relations. In 1949 the USSR concluded a military treaty with North Korea wherein the USSR agreed to supply all the necessary equipment and know-how for the establishment of 6 infantry ^{65/} divisions, 3 mechanized divisions, and 7 security force battalions, and by 1950 it was reported that the North Korean People's Army had been armed and equipped preponderantly with Soviet aid. ^{66/} In 1949 a 10-year economic and cultural pact was also signed between the two countries. In addition to providing for trade and cultural interchanges, supplemental agreements provided for Soviet aid to North Korea in the form of a \$40 million loan for the purchase of industrial equipment and raw materials, and in technical assistance for industry and agriculture. ^{67/} (See Appendix A, Table 8.*) Although this aid was not particularly generous, it was, as far as the US Embassy in Seoul

* P. 37, below.

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knew, the only credit extended until 1953. In 1953 the largest manifestation of Soviet aid occurred, with a grant of 1 billion rubles (\$250 million), 50 percent of which was to be used for the build-up of military armaments, 25 percent for light industry, and 25 percent for heavy industry. 68/ This grant was to be expended over a 3-year period, and there have been no promises of further aid.*

The North Koreans reported that during 1954 the USSR delivered 420 million rubles (\$105 million) of equipment, technical services, and consumer goods under the 1-billion-ruble aid program. Soviet material and technical aid has been identified at 35 specific projects in North Korea, ranging from ferrous metallurgy to machine construction plants and from consumer goods plants to broadcasting stations. 70/

The aid program to North Korea is interesting as an experiment within the Sino-Soviet Bloc in a seemingly genuine and coordinated aid program. 71/ Apparently the USSR and Communist China are intent on reconstructing (as an integral part of the Soviet Bloc) the North Korean economy more rapidly and efficiently than the South Korean economy is to be reconstructed by US and UN aid. 72/

* This paragraph was extracted from source 69/.

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APPENDIX A

STATISTICAL TABLES

Table 1

Free World Trade with the USSR a/*
1953-54

Thousand Current US \$				
<u>Exporting Country</u>	<u>Exports (F.O.B.)</u>		<u>Imports (C.I.F.)</u>	
	<u>1953</u>	<u>1954</u>	<u>1953</u>	<u>1954</u>
US and Canada				
US	19	219	10,791	11,810
Canada		4,988	855	720
Total	<u>19</u>	<u>5,207</u>	<u>11,646</u>	<u>12,530</u>
OECE Countries				
Austria	1,500	1,458	64	1,381
Belgium-Luxembourg	16,537	24,319	16,720	27,966
Denmark	20,890	18,280	8,435	15,651
France	16,047	30,943	16,883	40,150
Germany (West)	1,672	12,573	15,619	22,177
Greece	1,802	3,677	174	1,458
Iceland	5,485	7,871	1,587	8,101
Ireland			884	577
Italy and Trieste	23,079	25,344	9,261	23,703
Netherlands	22,676	32,771	31,262	23,043
Norway	15,112	24,272	16,952	13,282

* Footnotes for Table 1 follow on p. 30.

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Table 1

Free World Trade with the USSR a/
 1953-54
 (Continued)

Thousand Current US \$				
Exporting Country	Exports (F.O.B.)		Imports (C.I.F.)	
	1953	1954	1953	1954
OEEC Countries				
Portugal	4,596	4,788	1	4
Sweden	21,808	22,778	10,056	27,009
Switzerland	2,898	3,615	4,059	5,482
Turkey	2,387	5,178		3,415
UK	34,344	39,500	111,722	116,946
Total	<u>190,833</u>	<u>257,367</u>	<u>243,679</u>	<u>330,345</u>
Other Europe				
Finland	145,522	146,390	89,647	88,385
Yugoslavia		1,463		1,059
Total	<u>145,522</u>	<u>147,853</u>	<u>89,647</u>	<u>89,444</u>
Near East and Africa				
Algeria	1,470	2,122	159	283
Anglo-Egyptian Sudan			390	232
Belgian Congo		b/	6	23
Egypt	11,897	5,373	14,133	6,650
French Morocco		627		328
Gold Coast	10,114	20,399	2	58
Iran	13,216	18,564	12,825	13,450
Iraq	115	125	9	1
Israel	1,093	3,121	35	6,490
French West Africa		758		14

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Table 1
Free World Trade with the USSR a/
1953-54
(Continued)

Exporting Country	Thousand Current US \$			
	Exports (F.O.B.)		Imports (C.I.F.)	
	1953	1954	1953	1954
Near East and Africa				
Lebanon		4	28	57
Rhodesia and Nyasaland		57		36
Syria		<u>b/</u>	51	116
Tunisia			36	
Nigeria				75
Union of South Africa		4,893		204
Malta				7
Total	<u>37,905</u>	<u>56,043</u>	<u>27,674</u>	<u>28,024</u>
Far East				
Burma			7	138
Ceylon			14	402
Hong Kong			3	19
India	752	5,284	931	2,367
Japan	7	40	2,102	2,250
Malaya		9	10	7
Pakistan	7,353	3,638	35	379
Indonesia		439	74	560
Thailand		1		184
Total	<u>8,112</u>	<u>9,410</u>	<u>3,176</u>	<u>6,306</u>

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Table 1
Free World Trade with the USSR a/
1953-54
(Continued)

Exporting Country	Thousand Current US \$			
	Exports (F.O.B.)		Imports (C.I.F.)	
	1953	1954	1953	1954
Oceania				
Australia	33,071	32,252	1,747	1,507
New Zealand		8,239	131	420
Total	<u>33,071</u>	<u>40,491</u>	<u>1,878</u>	<u>1,927</u>
Latin America				
Argentina	11,461	36,386		36,685
Mexico		39	50	43
Uruguay	267	19,895		27
Colombia			2	1
Venezuela			18	61
Total	<u>11,728</u>	<u>56,320</u>	<u>70</u>	<u>36,817</u>
Grand total	<u>427,190</u>	<u>572,691</u>	<u>377,770</u>	<u>505,393</u>

a. Constructed from unclassified value series data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Economic Analysis Division.
b. Less than \$500.

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Table 2
Soviet Foreign Trade a/
1948-54

Million 1951 US \$					
Year	Free World <u>b/</u>	Communist China	Other Bloc	Total Bloc	Total
1948	1,148	6 <u>c/</u>	822 <u>d/</u>	828	1,976
1949	896	30 <u>e/</u>	1,473 <u>d/</u>	1,503	2,399
1950	673	329 <u>f/</u>	2,004 <u>d/</u>	2,333	3,006
1951	777	805 <u>g/</u>	2,918	3,723	4,500 <u>h/</u>
1952	998	1,629 <u>i/</u>	2,743	4,371	5,369 <u>h/</u>
1953	880	1,995 <u>j/</u>	3,331	5,326	6,206 <u>h/</u>
1954	1,195	2,016 <u>k/</u>	3,663	5,579	6,874 <u>l/</u>

a. Free World figures are adjusted by general commodity category using data from the UN Monthly Bulletin of Statistics, September 1954 and 1955, special table B, p. XVII, shifted to a 1951 base. All other figures are adjusted by using world unit-value index data from the UN Monthly Bulletin of Statistics, May 1955, special table C, P. XX.

b. 1948-51 based on source 73/. 1952-54 based on unclassified commodity series data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Economic Analysis Division.

- c. 74/
- d. 75/
- e. 76/
- f. 77/
- g. 78/
- h. 79/
- i. 80/
- j. 81/
- k. 82/
- l. 83/

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Table 3
Yearly Percentage Distribution
of Soviet Foreign Trade a/
1948-54

Based on 1951 US \$					
Year	Free World	Communist China	Other Bloc	Total Bloc <u>b/</u>	Total
1948	58	c/	42	42	100
1949	37	1	61	63	100
1950	22	11	67	78	100
1951	17	18	65	83	100
1952	19	30	51	81	100
1953	14	32	54	86	100
1954	17	29	53	83	100

a. Derived from Table 2, p. 31, above.

b. Because of rounding, summations of data shown for Communist China and Other Bloc do not necessarily agree exactly with Total Bloc percentages.

c. Less than 1 percent.

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Table 4

Geographic Distribution of Soviet Imports
from the Free World a/
1948-54

Exporting Area	Percent of Yearly Total Based on Current US \$						
	1948	1949	1950	1951	1952	1953	1954
US and Canada	5.3	1.5	0.3	b/	b/	b/	0.9
Western Europe	58.8	67.9	63.1	74.5	80.2	78.7	70.8
Near East and Africa	12.0	5.2	11.4	10.3	13.6	8.9	9.8
Far East	15.1	13.8	15.9	10.8	6.2	1.9	1.6
Oceania	6.5	9.6	8.9	4.3	b/	7.7	7.1
Latin America	2.3	2.0	0.4	0.1	b/	2.8	9.8
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

- a. Based on unclassified data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Economic Analysis Division.
b. Less than 0.05.

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Table 5

Geographic Distribution of Soviet Exports
to the Free World a/
1948-54

Importing Area	Percent of Yearly Total Based on Current US \$						
	1948	1949	1950	1951	1952	1953	1954
US and Canada	17.7	14.4	15.2	7.0	4.1	3.1	2.5
Western Europe	68.8	67.6	70.9	79.6	82.9	88.2	83.0
Near East and Africa	10.1	4.6	11.0	10.2	12.0	7.4	5.5
Far East	3.2	12.2	2.4	0.9	0.7	0.8	1.2
Oceania	b/	0.8	0.5	2.3	0.3	0.5	0.4
Latin America	0.2	0.4	b/	b/	b/	b/	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a. Based on unclassified data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Economic Analysis Division.

b. Less than 0.05.

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Table 6

General Commodity Composition of Soviet Imports from the Free World
1948-54

General Category	Million 1951 US \$ Adjusted by Commodity Category ^{a/}													
	1948 ^{b/}		1949 ^{b/}		1950 ^{b/}		1951 ^{b/}		1952 ^{c/}		1953 ^{c/}		1954 ^{c/}	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Food, beverages, and tobacco	82.0	13	29.1	5	14.8	4	34.7	9	53.4	10	81.7	17	139.8	22
Crude materials	344.5	55	307.8	55	180.5	47	176.8	43	278.9	51	188.6	39	213.3	33
Manufactured goods	201.6	32	227.5	40	184.5	49	195.5	48	215.5	39	211.4	44	290.1	45
Total	628.1	100	564.4	100	379.8	100	407.0	100	547.8	100	481.7	100	643.2	100

^{a/} Adjusted by general commodity category by use of data from the UN Monthly Bulletin of Statistics, September 1954 and 1955, Special Table B, XVII, shifted to a 1951 base.

^{b/} 84/ Based on unclassified data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Division, and on unclassified data in the UN Commodity Trade Statistics for January and December 1953.

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Table 7

General Commodity Composition of Soviet Exports to the Free World
1948-54

General Category	Million 1951 US \$ Adjusted by Commodity Category a/											
	1948 b/		1949 b/		1950 b/		1951 b/		1952 c/		1953 c/	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Food, beverages, and tobacco	234.4	45	143.5	43	118.1	40	184.6	50	268.8	60	137.7	35
Crude materials	193.7	37	150.4	46	138.9	47	152.1	41	145.0	32	207.1	52
Manufactured goods	91.4	18	37.3	11	36.6	13	33.5	9	35.9	8	53.1	13
Total	519.5	100	331.2	100	293.6	100	370.2	100	449.7	100	397.9	100
											552.1	100

Adjusted general commodity composition by use of data from the UN Monthly Bulletin of Statistics, September 1954 and 1955, Special Table B, XVII, shifted to a 1951 base.

85/

Based on unclassified data prepared by Commerce, Bureau of Foreign and Domestic Commerce, International Division, and on unclassified data in the UN Commodity Trade Statistics for January and December 1953.

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Table 8

Soviet Extensions of Credit to Other Countries of the Sino-Soviet Bloc
1947-54

Satellite Country	Date of Agreement	Effective Dates	Amount \$/ rubles	Provisions	Terms of Repayment
Albania ^{86/}	18 February 1951	1951-55	Unknown	For industrial equipment from the USSR.	Unknown
Bulgaria ^{87/}	12 July 1947	1947-52	\$5 million	Equalled Bulgaria's export deficit with USSR.	Repayment in tobacco and other goods over 5-year period.
Communist China ^{88/}	14 February 1950	1950-54	\$300 million	To be used for purchasing equipment and other materials for restored or newly built industrial enterprises. Interest at 1 percent per annum.	Repayment from Chinese exports at the rate of \$30 million per year beginning in 1954.
Czechoslovakia ^{89/}	11 October 1954	Unknown	520 million rubles (\$130 million)	Not stated. Probably to be used in conjunction with the 156-project aid program.	Unknown
	12 December 1947	1948	\$23 million	For financing of imports from the USSR. Interest rate of 3 percent per year.	Repayment by equal installments every 6 months beginning not later than 31 December 1948. Repayment to be in goods or in gold or convertible currencies if agreed by both parties.
	December 1948	Unknown	Unknown	USSR loaned Czechoslovakia gold and convertible currencies.	Czechoslovakia to repay with oil and iron-mining equipment and other manufactured goods.
	February 1949	Probably long-term.	\$200 million	To finance raw material imports from the West; 60 percent in gold, 40 percent in dollars.	Unknown
East Germany ^{90/}	3 May 1950	Unknown	\$0.75 million	{ Interest rate, 2 percent. }	Interest paid in materials in 1950 and 1951.
	18 April 1951	Unknown	\$1.63 million	Interest rate, 2 percent.	To be covered in second half of 1953.
	5 July 1952	Unknown	\$1.5 million	For food and raw materials from the USSR.	Unknown
	21 July 1953	Second half of 1953	\$57.75 million		

Current US dollars.

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Table 8

Soviet Extensions of Credit to Other Countries of the Sino-Soviet Bloc
1947-54
(Continued)

Satellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
East Germany 90/	23 September 1953	1953-57	\$121.5 million	\$3.8 million in foreign currencies. Remainder in goods from the USSR.	Two-percent interest. Repayment in commodities beginning 1 January 1955 and completed within 2 years thereafter.
	November 1954	Unknown	\$180 million (approximately)	Credit may be drawn on in any devalued currency and will probably be used for the purchase of consumer goods.	Unknown
Hungary 91/	1952-55	Unknown	Unknown	Equipment and complete plants to be delivered by the USSR.	Unknown
	November or December 1954	Unknown	\$27 million	Credit reported in the form of vanadium, chrome, cobalt, and consumer goods.	Unknown
North Korea 92/	17 March 1949	Unknown	\$40 million	For the purchase of industrial equipment and raw materials.	Repayment in the 3 years after 1 July 1955.
	March 1947	Unknown	\$28 million	Interest at 2 percent per annum.	Unknown
Poland 93/	Emergency loan in late 1947 or early 1948.	Unknown	\$36 million worth of grain	A gold loan to cover import of raw materials and capital goods.	Repayment in commodities within a year.
	26 January 1948	1948-56	\$450 million	500,000 tons of grain on credit.	Unknown
				Capital goods from the USSR including equipment for a \$200 million steel mill.	Three-percent interest. At the end of each year, Poland must execute notes of indebtedness for amount of credit used in that year. Repayment in goods at world prices during the 5-year period beginning 5 years after execution of notes.
	29 January 1950	1951-58	\$100 million	For purchases of industrial equipment from the USSR.	Unknown

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Table 8

Soviet Extensions of Credit to Other Countries of the Sino-Soviet Bloc
1947-54
(Continued)

Satellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
Rumania 94/	1946	To end of 1947	\$22.5 million	USSR shipped 300,000 tons of grain valued at about \$22.5 million.	Repayment in kind plus 5 percent interest.
	20 February 1947	Unknown	\$10 million	Unknown	Repayment in commodities in four equal, annual installments.

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APPENDIX B

METHODOLOGY

In Table 2,* all Free World data were extracted from Tables 6 and 7** (explained below). All figures shown for Soviet - Chinese Communist and Soviet - Other Bloc countries' trade for 1948-50 were extracted from published reports. Thus total Soviet trade figures for the period 1948-50 were obtained by adding the area distributions. Total Soviet trade figures for the years 1951-54 were officially announced in rubles by the USSR. These were converted at the official rate of 4 rubles per US dollar. Therefore, given total Soviet trade and Soviet trade with Communist China and the Free World, trade with other countries of the Sino-Soviet Bloc was derived as a residual. Next, all figures were adjusted to constant 1951 US dollars by using world price indexes as indicated in the footnotes to Table 2.*

In Tables 6 and 7, figures for 1952-54 were abstracted from both Department of Commerce and UN data, which in turn were adjusted to represent Soviet imports on a c.i.f. basis and exports on an f.o.b. basis by applying a 6-percent differential. The yearly figures, presented in finer commodity detail in the original sources, were then divided into three general commodity classifications, food and tobacco, raw materials, and manufactured goods. This division was accomplished by subtracting food and tobacco and manufactured goods from all the other identifiable categories. The remaining categories, except unidentifiable ones, were considered to represent raw materials. The unidentifiable categories such as miscellaneous were then prorated directly into the three main categories on the basis of each category's proportion of total trade less the miscellaneous trade. These figures were then adjusted to 1951 US dollars by applying commodity price indexes from the UN Monthly Bulletin of Statistics, September 1954 and 1955, Special Table B, p. XVII, which had been shifted to a 1951 base.

* P. 31, above.

** Pp. 35 and 36 respectively, above.

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APPENDIX C

GAPS IN INTELLIGENCE

As usual in reports dealing with Soviet trade, the largest intelligence gaps exist in the field of intra-Sino-Soviet Bloc trade. Statistics on total trade, direction, and composition are in most instances fragmentary and in certain cases contradictory. Because Soviet trade with the other Bloc countries constitutes the major portion (80 percent) of Soviet trade, knowledge of such trade is indispensable to any analysis of over-all Soviet trade.

Aside from the gaps in intra-Bloc trade data, minor gaps exist on Soviet trade with the Free World. Basically, these gaps result from a lag in reporting. Although a time lag is inevitable in trade reporting, new systems of reporting are helping to cut down the lag.

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APPENDIX D

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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